

**Statement of the Honorable Gordon England  
Deputy Secretary of Defense  
Before the Senate Budget Committee  
1 March 2007**

Chairman Conrad, Senator Gregg, Members of the Senate Budget Committee,

Thank you for the invitation to discuss the defense budget requests. And thank you for your continuing support for all of our men and women in uniform and their civilian counterparts. We all share a common objective – to protect and defend America, and to prepare the men and women of the Department of Defense to help do so.

The Vice Chairman of the Joint Chiefs of Staff Admiral Giambastiani and the Under Secretary of Defense (Comptroller) Ms. Jonas are here with me, and the three of us look forward to your questions.

**CONTEXT AND VISION**

When authorized, the defense budget request will provide our joint warfighters with what they need to accomplish their mission of protecting and defending America – our land, our people and our way of life. The mission is to defeat terrorists, protect the homeland, and deter and if necessary defeat future threats. Iran, North Korea, and China – in different ways – are currently the most worrisome concerns.

It is important not to lose sight of the long-term strategic picture while we prosecute the current war. The Department still requires systems to deter or dissuade possible future threats. It is a lot less expensive to deter and dissuade, than to fight and defeat. It is important both to fund near-term tactical expenses and to invest in long-term deterrence, or the nation will be at risk. Finding the balance is – as always – a challenge for the Department and for the Nation.

The budget requests currently before you will achieve the following things:

- Make the necessary strategic investments to modernize to meet current and future security challenges and to recapitalize joint warfighting capabilities;
- Sustain the all-volunteer military by increasing ground forces, reducing stress on the force, and improving the quality of life for our servicemembers and their families;
- Improve readiness throughout the force through additional training and maintenance, and more timely force reset after deployment;
- Enable the United States and partner nations to achieve success in the war on terror – in Iraq, in Afghanistan, and around the world.

**BUDGET REQUESTS**

There are three requests before the Congress. The President's request for Fiscal Year 2008 includes the base defense budget request for \$481.4 billion and \$141.7 billion to fight the Global

War on Terror. The FY 2007 Emergency Supplemental Appropriation Request for the Global War on Terror is \$93.4 billion. The total request is \$716.5 billion.

These numbers are undoubtedly large. They exceed the defense spending of America's closest allies – and the entire GDP of many of our close partners. But they also reflect the realities and responsibilities of this Department – what is required to adequately protect and defend America, now and in the future.

Let me first describe the “theory of the case” for using these three categories, then review what each of the requests buys the nation in terms of security and defense.

## **CATEGORIES**

In general, the base budget funds the Department's mission to “man, organize, train and equip” America's armed forces. The base budget captures and balances the costs of sustaining the force, with the costs of investing in capabilities needed to meet emergent security challenges.

Supplementals, in turn, have been used to finance the ongoing costs of contingency operations, including costs of the global war on terror. Iraq- and Afghanistan-related costs account for most of the total. One helpful way to think about this category is that it includes “emergency” costs, brought about by the current war effort, which the Department would otherwise not have had at this time.

In Title IX of the FY 2007 DoD Appropriations Act, Congress appropriated \$70 billion in emergency funds to the Department. One of the budget requests now before you is the Department's FY 2007 Supplemental Request, to continue to support war-related costs for the rest of the current fiscal year.

In FY 2008, the approach is somewhat different. In the National Defense Authorization Act for Fiscal Year 2007, the Congress directed the President to submit the full-year costs of ongoing operations in the war on terror in the defense budget.<sup>1</sup> Accordingly, the Global War on Terror Request for Fiscal Year 2008 is being submitted as part of the defense budget. Substantively, it covers the same kinds of requirements addressed in previous supplementals. Since it addresses the inherently changeable circumstances of war, accurately predicting requirements is difficult, so the Department has used projections based on current monthly war costs.

## **WHAT THE BASE BUDGET BUYS**

Broadly, the base budget breaks down into several major categories – balanced between people and equipment, and between current and future needs. For 2008, those categories, and their amounts, are:

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<sup>1</sup> Pursuant to Section 1105.

Readiness and support <sup>2</sup> (\$146.5 billion)	30%
Strategic modernization <sup>3</sup> (\$176.8 billion)	38%
Military pay and healthcare <sup>4</sup> (\$137 billion)	28%
Facilities <sup>5</sup> (\$21.1 billion)	4%

This base budget request includes an increase of \$49.4 billion over the enacted budget for FY 2007. Some of the top priorities are as follows:

The Department's top priority – and our greatest asset – is our people. America continues to be blessed that in every generation, brave men and women have stepped forward to serve a cause higher than themselves. The Department responds by continuing to support a high quality of life for our servicemembers. Almost one-third of the base budget is allocated to taking care of our men and women in uniform, and their families.

The Department's success in this regard is reflected in the Services' ongoing ability to meet recruiting and retention goals.<sup>6</sup>

<sup>2</sup> Readiness and support is about the ability to provide warfighting capabilities whenever and wherever the nation needs them: Readiness \$65.9B; Base operations and recruiting \$59.9B; Maintain equipment and buildings \$18.2; Commissaries \$2.5B.

<sup>3</sup> Strategic modernization is based on a long-term view of the capabilities required to succeed against current and possible future adversaries: Navy and aircraft \$62.4B; Aircraft and satellites \$50.9B; Ground capabilities and support systems \$37.8B; Research and development to include science and technology, and chemical and biological defense \$16.8B; Missile Defense Agency \$8.9B.

<sup>4</sup> The military pay and healthcare category is about taking care of our military and their families. It includes pay for the 1.3 million Active Component and 0.8 million Reserve Component members \$98.3B; and one of the best health care systems in the world, for military and dependents \$38.7B, which reflects a \$-1.9B adjustment for anticipated savings for DoD's sustaining benefit proposal.

<sup>5</sup> Facilities costs include: Family housing \$2.9B; BRAC implementation \$8.4B; Operational and training facilities, troop housing, and base infrastructure \$9.8B.

<sup>6</sup> **AC Recruiting:** All 4 Services met or exceeded recruiting goals throughout FY 2006, and have continued to do so through January 2007. AC recruiting as a % of goal, over time:

	FY2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007
USA	101	108	105	123	111
USN	100	100	100	100	100
USMC	100	101	104	110	108
USAF	100	100	100	100	100

**RC Accessions:** In Jan 2007, 4 of 6 components exceeded their goals:

	FY2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007
ARNG	99	123	113	119	101
USAR	95	98	79	102	99
USNR	87	87	91	80	93
USMCR	100	102	102	104	102
ANG	97	117	115	105	103
USAFR	106	100	100	105	103

**AC retention:** In January 2007, AC retention was solid – USAF and USMC are meeting or exceeding overall retention missions. USA is exceeding its year-to-date mission; while USN met 93% of its mission.

**RC attrition:** For the most recently available month, December 2006, attrition in all reserve components was well within acceptable limits – as it has been since at least the beginning of FY 2006.

Though not directly reflected numerically, recent policy changes concerning the use of the Guard and Reserves will allow servicemembers more predictable mobilization schedules – and more time with their families – also directly improving quality of life.

New in this budget request is support for increasing the permanent endstrength of the Army and Marine Corps. Recently, the President announced the plan to increase the total ground forces by 92,000, by FY 2012. The Army will grow from 482,400 to 547,400, and the Marine Corps from 175,000 to 202,000. The Department adds \$12.1 billion in the FY 2008 base budget to support the first step – an increase of 7,000 Soldiers and 5,000 Marines. Based on a continuing need for military forces, the endstrength increase will improve the ratio of time spent deployed versus time at home, in turn reducing stress on individuals and families.

The increase in requested funds to improve readiness and support – \$16.8 billion more than enacted for FY 2007 – reflects lessons learned from current engagements about the changing nature of warfare and the need to be better prepared for it. Almost half of the requested increase will support training – increased full-spectrum training; combat training center rotations; sustained air crew training; and increased steaming days for ships.

The increase in funds for readiness and support will also support the Department's move toward greater net-centricity – a system of networks and approaches designed to make information available to whomever needs it, wherever they are, in real time. This is an integral part of the Department's approach to 21<sup>st</sup> century warfighting.

The single largest category in the base budget request is strategic modernization – making sure the Department has the weapons systems needed, in every domain – ground, air, maritime, space and cyberspace – to meet the full array of emerging security challenges. Major investments in these domains, in FY 2008, include:

- Future Combat Systems (\$3.7 billion): FCS, including unmanned aerial vehicles, manned and unmanned ground vehicles, and other linked systems, is the Army's first comprehensive modernization program in a generation. This is the Army's way forward.
- Joint Strike Fighter (\$6.1 billion): This international program provides the next-generation strike aircraft in three variants designed to meet the different needs of the Air Force, the Navy, and the Marine Corps, and our friends and allies. The program includes international partnerships with 8 countries – based on shared investment, full interoperability, and thus a concrete, shared stake in the future.
- Shipbuilding/ Joint Maritime Capabilities (\$14.4 billion): The 2008 request supports the Navy's long-range shipbuilding plan, designed to produce a versatile 313-ship Navy by 2020. The increase of \$3.2 billion over last year primarily supports the next-generation aircraft carrier, the CVN-21; and the LPD 17 amphibious transport ship. (The \$14.4 billion includes Army funding for the Joint High Speed Vessel.)

The base budget is currently under relatively greater pressure than in past years, because the average age of equipment is rising. In FY 2006, the average age of nuclear attack submarines was about 18 years; of the Air Force's strategic airlift -15 years; of tactical fighters - 20 years; of

tactical airlift - 26 years. It is important to address some of these issues now, since older equipment, as a rule, costs more to maintain and has lower operational availability.

One of the most critical recapitalization challenges is the Air Force's KC-135 tanker fleet, whose current average age is 45 years. The Air Force has announced a competition to replace this aircraft with the KC-X, which will be able to carry cargo and passengers, and comes equipped with defensive systems. This platform is the Air Force's number one acquisition priority, essential for total force global operations.

The end of the Cold War changed the calculus concerning the primary missile threat the United States faces – but in an increasingly proliferated world, the threat is more multi-faceted and less predictable than ever before. The United States is deeply concerned about missile developments in North Korea and Iran, and wary of China's recent use of ballistic missile technology to destroy space assets. Many other countries have or are seeking ballistic missiles.

The missile defense “good news story” is that with support from the Congress, the Department has already fielded an integrated missile defense capability that continues to get stronger and more effective. International missile defense cooperation with the United States continues to grow – in Europe, Asia and the Middle East. This budget request seeks \$9.9 billion to continue that progress.<sup>7</sup>

In today's security environment, no single nation can successfully meet all the challenges alone. A critical part of the Department's strategic vision – highlighted in the 2006 Quadrennial Defense Review – is the importance of international partnerships. The Department is vigorously engaged in updating long-standing alliances, and reaching out to new partners around the world. NDAA 2007 provided a very helpful catalyst for this effort, in the Section 1206 authority for the Departments of Defense and State to train and equip partner nations' forces. The 2008 base budget request includes \$500 million in dedicated funding for this critical initiative.

## **WHAT THE 2007 SUPPLEMENTAL BUYS**

Before the Congress are two requests to fund war costs – the FY 2007 Emergency Supplemental Appropriation Request, and the FY 2008 Global War on Terror Request. They cover similar substantive ground – in three major categories: continuing the fight, increasing ground forces, and accelerating reconstitution.

The 2007 Emergency Supplemental request breaks down this way:

Continuing the Fight<sup>8</sup> \$65.0 billion  
Ground Forces<sup>9</sup> \$10.9 billion  
Reconstitution \$13.9 billion

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<sup>7</sup> Includes \$8.9B for the Missile Defense Agency; \$0.6B for Patriot PAC-3; \$0.4 for Patriot/MEADS CAP.

<sup>8</sup> Operations \$39.3B; Force Protection and IED Defeat \$10.4B; Military intelligence \$2.7B; Security Forces \$9.7B; Coalition Support and CERP \$1.5B; Military Construction \$1.1B; Regional War on Terror \$0.3B.

<sup>9</sup> Accelerate Brigade Combat Teams and Regimental Combat Teams \$3.6B; Grow the Force \$1.7B; US Forces 'plus up' \$5.6B.

## Non-DoD Classified \$3.6 billion

The Department's single greatest focus for our deployed men and women is force protection. Today, the single deadliest threat to our forces comes from Improvised Explosive Devices (IEDs). The terrorists who use them are highly creative and adaptive, they make use of relatively unsophisticated technologies to deadly effect, and they share "lessons learned" in real time. The Department is grateful for the support from Congress to date that has allowed the very rapid development and fielding of counter-measures. It remains critically important to continue this investment.

The most critical element of the Supplemental request is reconstitution – repairing and replacing equipment destroyed, damaged, or otherwise stressed from the demands of warfighting, to restore DoD inventories. When equipment is lost, the Department has a methodology for replacing it – with the latest appropriate model, not with something obsolete. The 2007 Supplemental includes these costs.

This 2007 Supplemental Request includes funds for the "plus up" of US forces deploying in support of Operation Iraqi Freedom. As the President has described, the additional forces are part of the nation's new way forward in Iraq. As the incoming Commander of Multi-National Forces-Iraq recently testified, their success will depend not only on their numbers, but also on their partnership with their Iraqi counterparts. The total cost of the "plus up" is projected to be \$5.6 billion. Costs include supporting the deployment of 5 Brigade Combat Teams and an enhanced naval presence. This estimate may be increased by additional support troops, depending on Commanders' needs.

America's most direct partners in building stable and secure environments in Iraq and Afghanistan are the security forces – the military and the police – of those two countries. Ultimately, they and their political leaders bear the responsibility for establishing conditions for peace and prosperity, including standing up sufficient forces to assume security responsibility for their countries. The United States plays a supporting role – through training, equipping, mentoring and helping to sustain those forces.

Substantial progress has already been made. In Iraq, for example, well over 300,000 Iraqi security forces have been trained and equipped, and Iraqis have assumed full security responsibility for 3 of 18 provinces. Next steps include enhanced embedding of US forces to help increase Iraqis' ability to assume full control of security. In Afghanistan, one of the most important elements of the strategy to counter the Taliban and Al Qaeda is ensuring an indigenous Afghan capability to conduct independent counter-insurgency operations. The 2007 Supplemental Request seeks \$3.8 billion for further support to the Iraqi Security Forces, and \$5.9 billion for the Afghan Security Forces.

Successful counter-insurgency requires the application of all instruments of national power – there is no exclusively military solution. Economic development and security are two sides of the same coin – in the short term, you need security to get the economy going; while in the long term, you can't have security without economic development.

In the early days of Operation Iraqi Freedom, commanders on the ground recognized the importance of helping to jump-start the local economy. The Commanders' Emergency Response Program (CERP) provided limited but immediately-available funds, to make a concrete difference in people's daily lives. Many commanders considered CERP the most powerful tool in their arsenal. This FY 2007 Supplemental request includes \$456 million to continue CERP.

One very important caveat: It is vitally important to the Department that the FY 2007 Supplemental be approved by Congress in a timely manner. By mid-April, if the request is not approved, the Department will need to begin reprogramming other funds – with all the associated disruptions to other efforts.

## **WHAT THE 2008 GWOT REQUEST BUYS**

The FY 2008 Global War on Terror Request, for \$141.7 billion, covers similar requirements, and will continue past the FY 2007 Supplemental.

The GWOT Request breaks into the following major categories:

- Continuing the Fight<sup>10</sup> \$96.6 billion
- Ground Forces<sup>11</sup> \$1.6 billion
- Reconstitution \$37.6 billion
- Non-DoD Classified \$5.9 billion

The GWOT request devotes \$15.2 billion to continue force protection efforts – including technology to disrupt attacks, vehicles with V-shaped hulls to better to withstand blasts, and a new generation of body armor.

Successful counter-insurgency efforts in Iraq and Afghanistan, and more broadly in the war on terror, continue to require the closest possible partnership with host nations, and the application of the full spectrum of political, economic and security tools. The GWOT request includes \$4.7 billion to continue the establishment of Iraqi and Afghan Security Forces, and nearly \$1 billion for the CERP program.

## **CONCLUSION**

The Department recognizes that the three requests before the Congress represent an enormous amount of the taxpayers' money. The Department also recognizes its fiduciary responsibility to spend those funds wisely. Detailed supporting data and rationale have been provided for each dollar requested, and staff from the Military Departments and from the Office of the Secretary of Defense are available for discussion and clarification.

Lastly, the Department is actively improving its processes to be more efficient and effective in all of its activities.

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<sup>10</sup> Operations \$70.6B; Force Protection and IED Defeat \$15.2B; Military intelligence \$2.7B; Security Forces \$4.7B; Coalition Support and CERP \$2.7B; Military construction \$0.7B.

<sup>11</sup> Accelerate Brigade Combat Teams and Regimental Combat Teams \$1.6B.

Chairman Conrad, Senator Gregg - thank you for your support of our men and women in uniform. And thank you to each member of this Committee, for your support for all the brave men and women who wear the cloth of this nation. We look forward to your questions.